

Message Text

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ACTION EB-07

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FROM AGATT FOR GRAIN & FEED DIVISION, FCA, FAS/USDA

E.O. 11652: N/A

TAGS: EAGR, IN

SUBJECT: INDIAN FOODGRAIN IMPORTS - US FY 1975/76

REF: FASTO 245

1. IN SHARP CONTRAST TO A YEAR AGO, THE FAVORABLE SOUTHWEST MONSOON HAS BROUGHT PROMISE OF A NEAR RECORD OR RECORD KHARIF HARVEST TO INDIA. ADDITIONALLY, CONTINUED RAINFALL THROUGH SEPTEMBER AND INTO OCTOBER HAS PROVIDED PLENTIFUL SUB-SOIL MOISTURE LEAVING FIELDS IN GOOD SHAPE FOR PLANTING RABI CROPS. IF ENVIRONMENTAL FACTORS REMAIN FAVORABLE, A GOOD RABI CROP FOLLOWING A GOOD KHARIF HARVEST COULD POSSIBLY ENABLE THE GOI TO COME CLOSE TO ITS TARGET OF 114 MILLION TONS ALTHOUGH, AT THIS POINT, NO ONE CAN PREDICT WITH CERTAINTY THE RABI OUTTURN.

2. SEVERAL FACTORS HAVE INFLUENCED THE GOVERNMENT'S DECISION WITH RESPECT TO PURCHASES OF FOODGRAINS IN INTERNATIONAL MARKETS: (1) SHIPMENTS FROM PURCHASE CONTRACTS NEGOTIATED EARLIER THIS YEAR AGAINST THE 1975 CROP HAVE BEEN FLOWING INTO THE COUNTRY. THIS, ALONG WITH THE GOOD CROP PROSPECTS, HAS BROUGHT DOMESTIC GRAIN PRICES DOWN SHARPLY BELOW PROCUREMENT PRICE LEVELS IN SOME PARTS OF THE COUNTRY. THE GOVERNMENT HAS PROMISED TO ENTER THE MARKET TO SUPPORT PRICES AT PROCUREMENT LEVELS TO AVOID "DISTRESS SELLING"

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BY FARMERS. (2) THE RECENT DECISION BY OPEC TO RAISE OIL PRICES

MEANS AN ADDITIONAL ANNUAL OUTLAY OF 150 MILLION DOLLARS FOREIGN EXCHANGE. THE TRADE DEFICIT FOR IFY 76 IS ALREADY LOOMING HIGHER THAN THAT OF LAST YEAR. (3) THE CURRENT LEVEL OF FOODGRAIN PRICES ON THE INTERNATIONAL MARKETS IS VIEWED BY INDIAN OFFICIALS RESPONSIBLE FOR PURCHASES AS TOO HIGH FOR THEM TO CONVINCE THE MINISTRY OF FINANCE TO RELEASE THE NECESSARY FOREIGN EXCHANGE, PARTICULARLY IN THE FACE OF BUMPER CROP PROSPECTS, FALLING DOMESTIC GRAIN PRICES, AND INCREASED DEMANDS AGAINST FOREIGN EXCHANGE FOR HIGHER COST PETROLEUM.

3. WEIGHED AGAINST THE ABOVE FACTORS IS THE GOVERNMENT'S DESIRE TO SEIZE UPON THE OPPORTUNITY OF A GOOD FOODGRAIN HARVEST IN CROP YEAR 1975/76 TO BEGIN RE-BUILDING GRAIN RESERVE STOCKS. IT WOULD LIKE TO ACCOMPLISH THIS GOAL WITH A MINIMUM OUTLAY OF FOREIGN EXCHANGE FOR ADDITIONAL COMMERCIAL PURCHASES BUT DOES NOT KNOW AT THIS POINT JUST HOW MUCH GRAIN WILL BE FORTHCOMING IN TOTAL FROM ALL SOURCES IN THE FORM OF GRANT AID OR UNDER CONCESSIONAL TERMS.

4. WITH THE ABOVE AS A BACKGROUND, OUR INFORMATION WITH RESPECT TO ARRIVALS SINCE JULY 1, 1975, WHAT IS OUTSTANDING, AND FUTURE COMMITMENTS IS AS FOLLOWS:

WHEAT

ARRIVALS

(BY COUNTRY)	ARRIVALS (OOO METRIC TONS)	OUTSTANDING 1/ (OOO METRIC TONS)	FUTURE COMMITMENTS
SWEDEN	17.4 (AID)	0	
AUSTRALIA	60.5 (AID)	0	23.8 (AID)
CANADA	85.0 (COMMERCIAL)	275.0 (AID)	
EEC	25.0 (COMMERCIAL)	170.0 (COMMERCIAL)	
	108.3 (AID)	82.0 (AID)	
U.S.A.	733.0 (PL 480)		
	350.5 (COMMERCIAL)	1,844.0 (COMMERCIAL)	
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TOTAL WHEAT:	1,379.7	1,844.0	23.8

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SORGHUM

ARRIVALS

(BY COUNTRY)	ARRIVALS (OOO METRIC TONS)	OUTSTANDING 1/ (OOO METRIC TONS)	FUTURE COMMITMENTS
U.S.A.	615.0		

RICE

ARRIVALS

(BY COUNTRY)	OUTSTANDING 1/ (OOO METRIC TONS)	FUTURE COMMITMENTS
THAILAND	21.2	178.8

TOTAL ALL

FOODGRAINS:	1,400.9	2,637.8	23.8
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1. SOME QUANTITIES HAVE BEEN EXPORTED BUT HAVE NOT CLEARED PORT OF ARRIVAL.

5. THE GOI APPEARS TO HAVE LINED UP AROUND 4.1 MILLION METRIC TONS OF FOODGRAINS FOR IMPORT DURING U.S. FISCAL YEAR 1975-76. TO BE ADDED TO THIS FIGURE ARE WHATEVER AMOUNTS IT OBTAINS UNDER P.L. 480 AND EC FOOD AID. FURTHER FOOD AID FROM SWEDEN, AUSTRALIA (OTHER THAN THE 23.8 INDICATED ABOVE), AND CANADA IS UNLIKELY, NOR DO WE ANTICIPATE COMMERCIAL PURCHASES FROM SWEDEN OR CANADA. THE AUSTRALIAN WHEAT MARKETING BOARD WILL HAVE A TEAM HERE NEXT MONTH TO REVIEW INDIAN REQUIREMENTS AGAINST AUSTRALIAN WHEAT SUPPLIES AVAILABLE FOR COMMERCIAL EXPORTS. THE GOI IS NOT LIKELY TO MAKE FUTURE COMMERCIAL COMMITMENTS UNTIL FOOD AID AVENUES HAVE BEEN EXPLORED AND FINALIZED. FOLLOWING THAT, OTHER FACTORS AS OUTLINED ABOVE WILL BE TAKEN INTO CONSIDERATION WITH PARTICULAR ATTENTION BEING GIVEN TO THE ULTIMATE OUTTURN OF THE KHARIF CROP AND PROGRESS OF THE RABI CROP PROSPECTS. IF IT LOOKS AS THOUGH THE COMBINATION OF BOTH WILL BRING A NEW RECORD PRODUCTION, OUR JUDGEMENT IS THAT INDIA IS LIKELY TO HOLD OFF FOR THE TIME BEING LIMITED OFFICIAL USE

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ON SIGNIFICANT COMMERCIAL PURCHASES AND LOOK FOR A DOWNTURN IN INTERNATIONAL PRICES BEFORE MOVING TO AUGMENT RESERVE STOCKS. CONSEQUENTLY, IT APPEARS THAT TOTAL IMPORTS OF FOODGRAINS SHOULD EQUAL OR EXCEED 5.0 MILLION TONS BUT IN ALL PROBABILITY WILL BE SOMEWHAT UNDER 5.5 MILLION TONS.

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